

**CHAIRMAN JEFF DENHAM**  
**SUBCOMMITTEE ON RAILROADS, PIPELINES, AND HAZARDOUS MATERIALS**  
**HEARING ON “OVERSIGHT OF CALIFORNIA HIGH SPEED RAIL”**  
**TUESDAY, MAY 27, 2013**  
**MADERA, CALIFORNIA**

[Gavel]

**Introduction**

- Subcommittee will come to order.
- First, let me thank the Madera Community College for hosting the Subcommittee this morning, and everyone here for helping coordinate this very important hearing.
- Second, I would like to welcome our guests to lovely Madera County and thank them for agreeing to testify today.
- This hearing is an oversight hearing on the California High Speed Rail project. And I have several concerns I look forward to exploring with the witnesses.
- In 2008, the voters of California approved \$9.95 billion ballot measure, Proposition 1A for this project. I was serving in the State Senate at the time and voted in favor of the proposition.
- What we sold to voters was a \$33 billion project that would receive equally parts financing from the State, Federal Government, and Private Investors.
- We told voters that we would use existing rail corridors and rights of way so that we wouldn't destroy family farms, communities, and agriculture production in the valley.
- The entire track was to be electrified, and the project was to be built in segments that would be profitable and usable individually.
- The project has changed significantly since 2008.
- So much so that it is unclear if it conforms to the requirements of Proposition 1A.

- The first construction package will not be electrified, will not be a useable segment, may not meet the time requirements for passenger trips, and the uses money designated for high-speed rail on conventional train upgrades.
- Moreover, at the time of Proposition 1A, the project was estimated to cost \$33 billion and be completed by 2020. Since then the project has undergone significant fluctuations in cost and completion date to a high in 2011 of \$98 billion with a completion date of 2033, and now back down to \$68.4 billion with a completion date of 2028.
- My concerns about these cost fluctuations were confirmed last year when I asked Secretary LaHood at our hearing about whether the current cost was the final cost for the project, and he said “It’s going to be expensive to build the high speed rail. If that’s the figure today, that’s the figure today. It’ll be different tomorrow.”
- Sec. LaHood, in my view, spoke more truth than he may have realized, as the GAO recently found that “we could not determine whether the [cost] estimates were unbiased” because the California High Speed Rail Authority did not conduct a risk and uncertainty analysis, which not only protects against bias, but also ensures contingencies are accounted for in the costs.
- Simply put, this is a key factor in ensuring cost estimates are as accurate as possible.
- While the costs will likely continue to fluctuate, the project has not established any funding sources beyond the \$3.8 billion in federal tax dollars and the Proposition 1A money.
- Of the \$68.4 billion cost, the Authority assumes \$55 billion will come from public funds, of which \$42 billion will be federal tax payer dollars.
- Therefore, Authority expects an average of more than \$2.5 billion a year from the federal government to complete this project. This annual amount is more than Amtrak’s annual appropriations for its entire system, nationwide.
- Both the GAO’s recent study of the project and the Peer Review Group’s review of the 2012 Business Plan have expressed concerns with the uncertainty of such future funding given the current budgetary climate.
- Even the State’s back-up funding plan, to use the cap-and-trade program, has been recognized as having its own set of challenges, leading GAO to conclude the funding is uncertain.

- Furthermore, in 2008 we, the voters of California, were promised private sector investment in the project. Now, in 2012, with the project nearly doubled in cost, there is no private money at the table.
- Instead the 2012 Business Plan assumes \$13 billion in private sector investment, but not until 2022 when the initial operating segment is complete. The plan assumes once the IOS is complete, it will turn a profit in year one, and so much so that the Authority will be able to sell an operating concession to raise private funds.
- These are assumptions that are based upon highly speculative estimates, which have been criticized in almost every official review of this project.
- The Peer Review Group, created by Prop 1A, has noted that “[t]he existing model is relatively simple and does not reflect the relationship between costs and the level of operations as well as it could. ...and the overall results of the model appear optimistic, and if the Authority’s model is optimistic, the private sector will be less able to augment public investment.”
- Furthermore, while the funding sources are each uncertain at best, the Authority also promised in 2008 that the project would follow existing transportation and utility corridors to the greatest extent possible.
- Instead, the first construction package will traverse prime agricultural land.
- This land is valued at a range of \$28,000 to \$33,000 per acre. I am not sure if this is the amount the Authority budgeted for, but if it is not and they do not pay such valuations, it could lead to further delay through contentious eminent domain proceedings.
- What’s more, the Authority has failed to disclose precisely where the track will be laid. Roughly a month from when the Authority intends to break ground and no right of way has been acquired, no agreement is in place with freight rail regarding its assets, and landowners still don’t know if train tracks will be coming straight into their living room.
- I want to conclude my statement by reiterating that I support the concept of high speed rail.
- I voted for Proposition 1A when it was presented to voters.
- What we have here today in no way reflects the promise I made to voters in 2008.

- The Authority has failed to produce a \$33 billion project, failed to reach agreement on utilizing existing transportation corridors, will not deliver fully electrified high speed rail infrastructure, and has still not settled on a precise route, 5 years after Prop 1A was passed.
- The Authority is asking the federal taxpayer to pick up a \$42 billion tab, on a project that was approved by California taxpayers.
- Given the dire economic situation that this country is in, and the massive trillion dollar deficits and debt the country continues to pile up, do we think it wise to spend this money at this time on a project with no clear end in sight and no certainty of success?
- Why must the federal taxpayer pay for the mistakes the Authority has made?
- How will we replace the century old farms that will be destroyed, or compensate the families who have lived in these communities for generations who will be displaced by a train that will simply pass them by?
- The Authority and its supporters often make note that this project was approved by California voters.
- But the project has skyrocketed in cost and the Authority is asking the federal taxpayer, who did not vote for Prop 1A, to pick up the difference.
- Given the dramatic changes to the project, is it not our responsibility to go back to the voters and ask them if they are willing to pay for it?
- These are just a few of the concerns I have, and concerns that others have raised. To be frank, as Chairman of the Subcommittee on Railroads, it is my duty to ensure these taxpayer dollars are spent wisely.
- I look forward to hearing from our witnesses on these topics.